



## Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact [support@jstor.org](mailto:support@jstor.org).

# AMERICAN PROGRESS AND BRITISH COMMERCE.

BY HAROLD COX.

---

IN the March number of the REVIEW, Mr. Charles R. Flint gave expression to the pride felt by himself, and doubtless shared by his fellow-citizens, in the industrial progress of the United States. With that pride no level-headed Englishman is likely to quarrel, even though the expression of it is, perhaps, a trifle overdone. To most of us in England the industrial development of the United States causes no surprise. One only wonders that it was not sooner attained.

I chanced the other day upon a little book by an English free-trader, W. P. Adam, published in the year 1852, and my eye fell upon the following passage:

"America is the country of the future; and no legislation, no restriction of ours will, for one moment, hinder that development, which, rapid as it has been, is destined for the future to be more rapid and decided; with an enormous unoccupied territory, with a population doubling itself every twenty-one years, with a tide of emigration setting steadily towards her from all parts of the Old World, with a people as enterprising and energetic as any on the face of the globe, it is impossible not to foresee the brilliant future which awaits her, and the folly of those who think that by the paltry barrier of legislation they can for one instant stay her resistless course onward—a course which must soon place her in at least an equal position to ourselves among the commercial nations of the earth."

If Mr. W. P. Adam were still alive, he would certainly feel that he had a right to complain of the United States for having taken so long to fulfill his prophecy. Consider, for a moment, the enormous advantages the United States has possessed. It has had control of a practically unlimited area of virgin soil, intersected

by magnificent waterways. Its mineral wealth is of fabulous value and is, for the most part, easily accessible. Its people, by the mere fact that they live in a new country, are largely freed from that tyranny of custom that in old countries everywhere impedes progress. Moreover, the American population is constantly recruited from the most alert elements of the various populations of Europe. You may get some of our ne'er-do-wells, but you also get the men of enterprise and ambition, who are willing to leave their homes on the chance of bettering their condition. It is the plodding, unprogressive man who refuses to move from his own village or back street. Thus the human conditions have conspired with the physical conditions to give the United States opportunities of progress such as no nation in the world ever before enjoyed. In addition, the people of the United States have been able freely to call upon the old world for every pound of capital they cared to borrow, in order to construct their railways, to exploit their mines and to cultivate their fields.

Two farmers are living side by side. The one is mature, the other is beginning life. The older man is cooped up within a ring fence; the farm of the younger has no fixed boundaries, but spreads out as far as he cares to drive the plow through unbroken, but fertile, land. The older man is daily aiding the younger by advancing to him stock and implements; and, year by year, the older man packs off some of his own farm hands to join the younger man's establishment. Would it not be a marvel if the younger man failed to overtake the elder?

Probably, the United States would have overtaken England twenty years ago, if she had not deliberately hampered herself by an absurd fiscal system. Had she been a smaller country, these fiscal barriers would have delayed her progress even more. But the United States is a little world in itself. As Mr. Flint points out, its "interstate commerce to-day is the largest trade carried on anywhere under conditions of absolute free trade." It has been able freely to exchange the semi-tropical products of the South for the products of the colder North; it has been able to exchange freely the product of the forest for the product of the field, and the product of the mine for both. This complete freedom of exchange has not hindered the growth in the newer States of manufacturing industries of which the older States appeared at one time to have exclusive control. The new South has become

a keen industrial competitor with the old North; and the centre of gravity of your manufacturing industries is steadily moving southwards and westwards. It is reasonable, therefore, to assume that, if you had enlarged the area of free exchange, if you had permitted your manufacturers, your miners, your farmers and your transport agencies to draw upon the whole world for the materials and the implements which they require, your industrial development would have been even more rapid.

That is a question, however, of argument and speculation too lengthy to be dealt with in this article. It is more important for the moment to call attention to some of the remarkable statements made by Mr. Flint, in the exuberance of his joy at discovering that, at last, the United States, with its boundless territory and its seventy-five million people, has caught up with this little island in the Northern seas.

He thinks we English are appalled at the fact. Not at all! Some of our yellow journals may occasionally indulge in a screaming article upon the decadence of England, but sober Englishmen only read such papers for the sake of amusement. So far from being appalled at American progress, we are only pleased. The richer you grow, the more profitable will our trade with you become. The more you develop your industries, the better market will you offer to ours.

At the present time, the United States stands about fourth in our list of customers, and if we may judge by our experience with Germany, you will take more and more of our goods, either directly or indirectly, as your industrial development proceeds. British exports to Germany have risen in the past thirteen years, with scarcely a break, from \$80,000,000 in 1888 to \$140,000,000 in 1900. Yet, on this side of the Atlantic, as well as on yours, we have people who are incapable of seeing that our keenest commercial rivals are also our best customers, and that their prosperity adds to ours. The figures of our export trade with you are on the surface by no means so satisfactory. They show great fluctuations year by year, with a general tendency downwards. The fluctuations are partly due to variations in your harvest, which, by affecting your export of cereals, affect your power of purchase. They are also due in part to loan transactions between England and America, which are constantly fluctuating in amount. The general tendency downwards is probably due,

almost entirely, to your tariff, which forces our trade into a circuitous route. Instead of paying you directly for what we buy, we have to send our goods to Brazil, or Mexico, or some other neutral market, and leave our customers there to balance the account by sending some of their stuff on to you.

A direct trade would probably be more advantageous to both parties; but it seems almost hopeless to discuss that point, as long as people of ability, like Mr. Flint, are apparently unable to grasp the elementary fact that the advantages of trade must be mutual. Mr. Flint talks as if American goods were, in some way, forced upon the British market, against the wish of the British people. He is entirely wrong. American goods come to this country only because we call for them. It is not the producer who determines the sale, but the purchaser. American manufacturers might load all the ships in the world with American goods, but they could not sell a single ounce unless some purchaser wanted to buy. Is it necessary to add that the British purchaser buys only to please himself, not to please the American producer? In the same way, the American producer sells only because he finds a profit in doing so. He does not send his goods to Great Britain out of pure benevolence. He expects to be paid for them, and he is paid. The trade is mutually advantageous to buyer and seller; and, unless it were so, it would not continue for a day.

I ought almost to apologize to my readers for putting before them these elementary considerations, with which every man of business must be familiar in the daily routine of his life. But it is one of the curious facts in connection with debates upon international trade that the disputants frequently seem to forget altogether the fundamental human motives that lie at the root of all trade. Mr. Flint, indeed, carries his forgetfulness to the point of actually confusing plus with minus, profit with loss. After quoting figures to show that the United States is now sending out a greater value than she receives back, he says: "It is difficult to add to the force of these figures. They mean that for every dollar's worth of goods imported by us and produced by the cheap labor of the world we are selling to those cheap laborers themselves two dollars' worth." A little later on, he adds, triumphantly, that the United States is "the only nation in the world that shows any considerable trade balance on the right side."

Must we, then, turn our ledgers upside down? How can a

man grow rich by giving two dollars' worth of stuff in exchange for one dollar's worth? Or, perhaps, Mr. Flint is indifferent to national wealth, and thinks that his countrymen are sufficiently rewarded for the loss of fifty per cent. on every transaction, by the knowledge that they are acting as benefactors to the "cheap labor" of Europe. The truth, of course, is that, if the United States were really doing such a trade as Mr. Flint imagines, even its splendid resources would not long stand the strain.

The whole confusion arises from a misapprehension of the part which money plays in trade. Money is only the means by which trade is conducted. Men do not empty their warehouses of wheat and cotton in order to fill their strong-rooms with gold and silver. They sell the wheat or cotton only in order that they may be able to buy something else. The money is merely a go-between; and, in the gradual perfection of modern exchange, this once solid go-between is rapidly losing all substantial existence. Transactions amounting to thousands of millions of dollars are yearly disposed of without the transference of a single metal coin or paper note. Trade is, and in essence always has been, and always must be, merely barter—the exchange of goods against goods. If America sends goods to Britain, the exchange is not complete until Britain sends back other goods to America, or to some third country from which America buys. Unless these other goods were sent back, the American exporter would receive no payment, and would very soon get tired of the amusement of exporting.

That is why Englishmen, who have been trained in the school of free trade, regard with perfect equanimity the development of American industries, and what is called the "invasion" of the home market. The more you sell to us, the more we must sell to you, unless you intend to set up as universal philanthropists. Even so, we should not complain. It has been an enormous advantage to England to be able to buy your wheat at a cheap rate. It would be a still greater advantage to get it for nothing.

The same consideration applies to the alleged intention of the new Steel Trust to sell below cost price in England. Incidentally, I may remark that the leading men in the British iron and steel trade are not very seriously alarmed by the threats of your over-capitalized trusts. During the past two years, British and German workshops have had more orders than they could dispose of.

After all, there are only twenty-four hours in the day; and on this side of the Atlantic we have learnt that, in the long run, it pays best to keep the larger number of those hours for sleep and recreation. British and German firms were, therefore, quite content that you should take some of the orders they could not fulfill. It will not be so when business slackens. Competition will again become keen, and, as far as can be gathered from the public utterances of British iron-masters, they are quite confident of the result.

It may be that they are wrong. It may be that your superior natural advantages, and the superior mental alertness of your workmen, will outweigh the load you have placed upon your industry by your protective tariff, and that you will be able to carry your goods across the Atlantic and underbid our producers. Even that prospect does not alarm us. There was a time when England exported wheat to the United States. For a century we have ceased to do so, and for half a century we have been largely dependent upon you for our daily bread. And yet we go on, and continue to smile. If you can send us cheaper steel than we can make ourselves, we shall gladly buy it, for it will enable us to produce ships and machinery even more cheaply than now.

Undoubtedly, the destruction of our blast furnaces would be a serious matter to the men whose capital is embarked, or whose labor is specialized, in that industry. But destruction, as well as construction, is inevitable in the gradual development of the world. Whole industries are disappearing from the face of the globe, because new inventions have rendered them unnecessary. Every day, thousands of dollars' worth of capital is being "scrapped" to make way for some small improvement. The human element has to adapt itself to these changes and is every day so doing. Already, indeed, it is possible to forecast a time when the building of steam engines will be as extinct an industry as the building of stage coaches. To prohibit the importation of American steel into England, in order to preserve British blast furnaces, would be only a trifle less silly than to prohibit the manufacture of electro-motors in order to preserve the steam engine.

Mr. Flint, however, appears to imagine that it will be possible for American producers to destroy one British industry after

another, till there be no British industry left. It is an amiable anticipation, but the author of it does not explain how the American producer is then to be paid for his products. We are delighted to buy anything that America sends us, if it is cheap enough and good enough; but if the American producer is so unreasonable as to wish to be paid for what he sells, he must graciously permit us to go on producing something ourselves. We have nothing but our goods to give in exchange for your goods. If you will not buy from us, though we shall still be pleased to take anything you like to send, we shall not be able to pay for it.

This brings me to the interesting question of how the balances of international trade are in practice settled. A very cursory examination of international trade statistics is sufficient to show that, in all old and prosperous countries, there is an apparent excess of imports over exports. Here are the figures for the most highly-developed countries of Europe, in the year 1898, the last year for which all the figures are yet available:

	Net Imports. Million Dollars.	Net Exports. Million Dollars.	Excess of Imports. Million Dollars.
United Kingdom.....	2,045	1,165	880
France.....	895	700	195
Germany.....	1,270	940	330
Switzerland.....	230	155	75
Belgium.....	410	355	55
Holland.....	735	630	105
Denmark.....	100	65	35
Sweden.....	125	95	30

How is this apparent excess to be explained? In the first place, it is due to the profit that is made by the persons engaged in international trade. Take the case of Great Britain. The tables of imports are intended by the Board of Trade to give the value of the imported goods upon arrival at our ports. As accurately as can be ascertained from the importer, the value entered represents the original cost, plus insurance, plus freight. The tables of exports give, in the same way, the values of exported goods when they leave our ports, in a word, the free-on-board price.

If the two figures were exactly the same, there could, clearly, be no profit on the exchange. England would get back exactly the same value as she sent out, and her merchants would consequently be working for nothing. That is not the habit of the British merchant. He has a weakness for being paid for the work he does; and his payment—that is, his profit—appears in the statis-



tical tables as part of the excess of imports over exports. In addition, there is the large question of freight to be considered. The ship-owner also wants to be paid, and his payment will be marked in the tables by an import into the country where he happens to live. It is notorious that the greater part of the carrying trade of the world is in the hands of Great Britain, and that is one of the principal reasons why the British excess of imports is so much greater than the excess enjoyed by any other country. The payments for insurance further swell the British total, for the greater part of the marine insurance business of the world is in British hands.

Lastly we come to the important question of the movement of capital. It is this that explains why the older countries have generally an excess of imports and the new countries an excess of exports; it is because the old countries are creditors and the new countries are debtors. Europe every year receives an enormous revenue in the shape of interest upon money that has been lent by her to assist in developing the new world—the United States, Canada, the Argentine, Chili, Peru and Uruguay, Australia, India and South Africa. India must be classed with the new world; for, although her civilization is as old as the oldest in Europe, industrially she is a new country, and has to borrow largely from England for the development of her railways and factories.

Of all these many borrowers, there is none so insatiable as the United States. Not only have your railways been largely constructed with English capital, and your mines developed with the same assistance, but in the Western States many of the farms are practically in the hands of English capitalists. The annual payment due on account of these loans is enormous, and explains at once the greater part of the excess of exports from the United States to the rest of the world. That excess would have shown itself earlier, if it had not been that you were steadily contracting new loans, so that the capital borrowed in one year often exceeded the amount due for interest upon previous debt. It is reasonable to assume that you are now getting to the end of your borrowing. Your railway system is to a large extent completed, and your population is now so large and your industries so well established that you are probably making capital for yourselves as fast as you require it. There are, indeed, signs that you are already beginning to pay off some of your indebtedness, and to

make investments of your own in foreign countries. While that process continues, your excess of exports will steadily grow greater. But, when the bulk of your debt is paid off and you have secured a substantial investment abroad, you will again experience what Mr. Flint regards as an adverse balance of trade; that is to say, you will again receive, as you did when you were borrowing freely, a greater value in imports than you send away in exports. When that time arrives, doubtless there will be people among you—as there are now among us—to declare that you are living on your capital and hurrying to national bankruptcy. In a sense, it will be true that you will be living on your capital; for you will be partly living upon the interest on your investment, just as we are to-day. If it hurts you no more than it hurts us, you will have little cause to complain.

The people who imagine that an excess of imports over exports is an indication of approaching bankruptcy, may profitably examine the figures of British trade for the past half century. It was in the year 1854 that the Board of Trade of the United Kingdom began to enter imports according to their real value. Before that date, the figures are useless for purposes of comparison. In the forty-seven years that have since elapsed, the gross, aggregate value of the imports into the United Kingdom has amounted to \$75,220,000,000. That is what the world has sent us in the shape of corn and cotton and wine, wool and hides, butter and bacon and eggs, sugar and tea and coffee, tobacco and spirits, timber and metals, oils and petroleum, and a thousand other things, to feed our industries or to give pleasure to ourselves. What have we given in exchange? During the same period the gross, aggregate exports from the United Kingdom have amounted to \$58,650,000,000. Thus there is an apparent deficiency of \$16,570,000,000. If this were really a balance on the wrong side, even the wealth of Great Britain could not stand the strain. As for the idea that some people appear to entertain, that we pay for our imports in gold, it ought to be sufficient to remark that England does not produce gold. As a matter of fact, we import in most years considerably more gold than we export. During the period from 1858 to 1900, our aggregate, net imports of gold amounted to \$780,000,000. That is the sum in solid gold which in forty-three years we have acquired and absorbed, in addition to the enormous excess value

of imported commodities. Adding the two figures together (although they do not cover quite the same period), we get a total of \$17,350,000,000. The true explanation of this stupendous figure has already been given in advance. It represents, first, the profit made by British merchants; secondly, the freights earned, and insurance fees collected by British ship-owners and underwriters; and, thirdly, the interest we receive for our investments abroad, after deduction has been made of the capital which we still continue to export. The figures above quoted would, in fact, have been probably more than doubled, if we had not during the period under review continued to lend freely to foreign countries.

A suggestion, I am aware, is often made that England is paying for her constantly growing imports by selling her securities. The best answer to that theory is furnished by the London money market. Doubtless, England has parted of late years with some of her American securities; but she continues to lend money with both hands to almost every country in the world. Instead of a scarcity of capital on the London market, there is an almost constant plethora. Though there is a growing scale of expenditure in every class of the community, yet the annual savings of the nation are so enormous that we have continually to look for fresh investments. This may or may not be a healthy condition of society. Personally, I think that great aggregations of wealth are a distinct evil, but there is no evidence that capital is held in larger blocks with us than with you. On the contrary, there are probably fewer multi-millionaires in England than in the States.

But, for our present argument, the important point is that, whether the increase of wealth in England is a good thing or a bad thing, it is a fact. The following figures are carried down to a period before the war in South Africa had begun to influence our finances. They show that, in spite of frequent reductions of taxation, the national revenue has enormously expanded, and that the national debt had been greatly reduced. They show that the incomes of the well-to-do classes had more than doubled, and that the savings of the working classes—so far as these are represented by deposits in the Savings Bank—had increased nearly fivefold. The figures, lastly, show a remarkable increase in the standard of comfort, as evidenced by the growth in the consumption of such staple commodities as tea and sugar:

THE UNITED KINGDOM UNDER FREE TRADE.

	Year, 1859-60. Million dols.	Year, 1869-70. Million dols.	Year, 1879-80. Million dols.	Year, 1889-90. Million dols.	Year, 1899-00. Million dols.
National revenue.....	350	370	395	445	600
National debt.....	4,140	4,000	3,885	3,455	3,195
Property assessed to income tax. Gross annual value.....	1,675	2,225	2,885	3,345	3,795
Savings bank deposits.....	195	255	380	540	910
	lbs.	lbs.	lbs.	lbs.	lbs.
Tea consumed per head of popu- lation .....	2.7	3.6	4.7	5.0	5.9
Sugar consumed per head of population .....	35	43	66	77	91

One word in conclusion. In what is above written, England has been compared to the mature man, America to a sturdy youth. The analogy is useful from many aspects; but it is apt to be misleading, if pressed too far. Our Australian offspring had grown so accustomed to this analogy; it was so much their habit to speak of England as the "old country," that they had worked themselves into a belief that England was beginning to suffer from senile decay. When, in 1897, Australians visited the old country in large numbers for the late Queen's jubilee, they expressed their astonishment at seeing on every hand the signs of eager enterprise and manly vigor. The truth is that, though a nation as an organism may grow old in years and rich in comfort, its vitality will suffer no abatement, its mind will not falter, nor its hand tremble, so long as every year a new group of active youths and smiling maidens steps upon the stage, to replace the old men and matrons who have done their day. There is no evidence that this perennial succession of eager adolescence to declining age is yet interrupted, or soon likely to be, either in England or in the States. You may call us old, we may soon begin to retort that you are middle-aged; but, a thousand years ahead, there will still be boys and girls in both our countries, to fight new industrial battles, to face new scientific problems, to carry on the race, and to laugh at the talk of decrepitude.

HAROLD COX.